



MINISTRY OF TRANSPORT

AGREEMENT

Agreement concluded under Section 1 (1) of the Marine and Aviation Insurance (War Risks) Act, 1952, between The Steamship Mutual Underwriting Association Limited and the Minister of Transport for the

RE-INSURANCE OF BRITISH SHIPS AGAINST WAR RISKS

LONDON: HER MAJESTY'S STATIONERY OFFICE
1967

PRICE 2s. 6d. NET

Attached hereto is the text of an Agreement concluded on the 23rd December 1966 between the Minister of Transport and the Steamship Mutual Underwriting Association Limited in similar terms to Agreements concluded by the Minister of Transport and Civil Aviation with other Associations on 18th February 1954 (as amended on 26th May 1959).

The Agreement provides for the re-insurance by the Minister of British ships insured against war risks by the Association in so far as such risks arise from hostilities in which the United Kingdom is involved. Excluded from the policies re-insured by the Minister are captures, seizures, arrests, restraints or detentions which are not the consequence of hostilities or warlike operations but are made for the purpose of enforcing a fine, penalty or other imposition in respect of a contravention of the laws of any State. Unless and until circumstances arise in which British ships are or may be exposed to interference by hostile action the Agreement does not require the payment of premiums in respect of risks assumed by the Minister. Provisions are, however, embodied in the Agreement for imposing premiums if such circumstances do arise.

A copy of the Agreement has been laid before each House of Parliament in pursuance of the provisions of S. 1 (2) of the Marine and Aviation Insurance (War Risks) Act, 1952 (15 and 16 Geo. 6. and 1 Eliz. 2, c. 57).

AN AGREEMENT made this 23rd day of December, One thousand nine hundred and sixty-six BETWEEN THE STEAMSHIP MUTUAL UNDER-WRITING ASSOCIATION LIMITED (hereinafter referred to as the "Association") of the one part and the Minister of Transport (hereinafter referred to as the "Minister") of the other part.

WHEREAS:

(A) The Minister under section 1 (1) of the Marine and Aviation Insurance (War Risks) Act, 1952, is empowered with the approval of the Treasury, to enter into agreements with any authorities or persons for the reinsurance by her of any war risks against which any British ship is for the time being insured;

(B) The Association is empowered and accustomed to insure ships entered in the Association against war risks but, save for the promise of reinsurance given by these presents, would continue so to insure such ships in the event of war or other hostilities or threat of war or other hostilities involving the United Kingdom of Great Britain and Northern Ireland only for a very limited period;

(C) The Association has agreed that in the events aforesaid it will continue to insure the ships belonging to its members and entered in the Association in respect of those risks in consideration of the Minister undertaking to reinsure the Association as and to the extent hereinafter provided; and

(D) The Minister desires on grounds of public policy to ensure that in the events aforesaid British ships shall not be laid up or overseas commerce interrupted for lack of insurance facilities:—

NOW THEREFORE IT IS HEREBY AGREED between the parties as follows:—

1. In order that in the event of war or other hostilities involving the United Kingdom (or threat of such war or other hostilities) the Association may continue to provide insurance against war risks for ships entered in the Association, the Minister will in respect of ships so entered and insured by the Association reinsure the Association on the following terms:—

- (a) the original insurance by the Association shall be in the terms of the policy set out in the First Schedule hereto (hereinafter referred to as the "Original Policy 'A'") with such modifications, if any, as the Association may think fit, increasing but not diminishing in any respect the protection given by the Association; and
- (b) the reinsurance by the Minister shall be in the terms of the policy set out in the Second Schedule hereto, shall be granted without premium except as provided in sub-clause (7) of Clause 3 of the Original Policy 'A' and shall cover ninety-five per cent. of the liability which would attach to the Association as insurer under a policy in the form of the Original Policy 'A' without any such modifications as aforesaid.

2. (1) In order to promote the insurance by the Association of ships entered in the Association for new periods of time commencing after the point of time when insurances on the terms of the Original Policy 'A' have ceased in

consequence of the giving of a general premium notice as defined in the said policy, the Minister further agrees to insure, as reinsurer of the Association, any ship entered in and insured by the Association for periods of time commencing at or after the time last aforesaid on the following terms :—

- (a) the original insurance shall be in the terms of the policy set out in the Third Schedule hereto (hereinafter referred to as the "Original Policy 'B'") with such modifications, if any, as the Association may think fit, increasing but not diminishing in any respect the protection given by the Association ;
- (b) the reinsurance by the Minister shall—
 - (i) be in the terms of the policy set out in the Fourth Schedule hereto,
 - (ii) (subject as hereinafter provided) be granted at such rates of premium as may from time to time be fixed by the Minister ; and
 - (iii) cover ninety-five per cent. of the liability which would attach to the Association as insurer under an original policy in the terms of the Original Policy 'B', without any such modifications as aforesaid.

(2) In order to enable the Association to fix the premium to be charged by it on its Original Policies, the Minister shall, after taking into consideration any views submitted by the Association, from time to time give notice in writing to the Association of the rate of premium which will be charged by the Minister upon her reinsurance under this agreement and of any changes in such rate ; and any ship insured by the Association shall be reinsured by the Minister at the rate which was applicable according to the notices last received by the Association at the time of attachment of risk under the original insurance by the Association.

(3) The Association agrees that it will charge its members a premium on its insurances in the terms of the Original Policies at the same rate as the rate charged by the Minister upon her reinsurances. Any excess of losses over premiums shall, as between the Association and its members, be made good by a call upon the members in accordance with the provisions of the Articles of Association and Rules of the Association.

3. (1) (a) The entered value of a ship fixed under any policy of insurance reinsured under this agreement whether on the inception or renewal of any insurance shall be such sum as the Association determines, with the concurrence of the Minister, to be its fair value for insurance purposes regard being had to—
- (i) the age of the ship,
 - (ii) the then estimated cost of building a similar ship at average United Kingdom prices, and
 - (iii) such other factors as the Association and the Minister agree shall be taken into account.
- (b) The entered value shall be deemed to comprise as to 80 per cent. the basic value of the ship and as to 20 per cent. the increased value and such increased value shall be payable, in the event of

the actual, constructive, arranged or compromised total loss of the ship, as prescribed in the Government Tonnage Replacement Account Agreement, No. 2, a copy of which is appended as the Fifth Schedule to this agreement:

Provided however that if in any instance the basic value as calculated hereunder shall amount to less than the cost of the ship when built after any allowance agreed between the parties hereto has been made for depreciation, the amount of such deficiency in the basic value shall, if the assured so desire, be included in the basic value and excluded from the increased value:

Provided further that if in any instance the amount at which a ship is valued for the purposes of this agreement is not more than £5,000 and the assured so desire the entered value shall be deemed to be the basic value, and in that case the ship shall be deemed to have no increased value.

- (c) In the event of disagreement between the parties as to the entered value of a ship such disagreement shall be referred to arbitration by a sole arbitrator, experienced in the valuation of ships, appointed by the Chairman of the Corporation of Lloyds, in default of agreement between the Minister and the Association, and his decision shall have regard to the factors referred to in paragraph (a) of this sub-clause and shall be binding and conclusive.

(2) Every original insurance issued by the Association which is reinsured under this agreement shall specify the amount of the entered value which represents the basic value and the amount, if any, which represents the increased value.

4. The Association shall keep the Minister advised of all original insurances in respect of which the Minister is bound to reinsure the Association and the Minister shall, if so required by the Association, issue reinsurance policies accordingly.

5. The Minister may appoint not more than two representatives who shall be entitled to attend all meetings of the Association, and of its Board of Directors, and of any committee thereof, at which any matter relating to insurance against war risks is considered.

6. The Association shall permit the said representative or representatives of the Minister and any assistants whom they may require for the purpose and also representatives of the Comptroller and Auditor-General at all convenient times to examine the books and documents of or in the possession of the Association relating to the original insurances reinsured under this agreement or to any losses or claims thereunder, and to take extracts therefrom, and shall also give all information in the possession of the Association relating thereto, and, so far as lies in its power, shall produce or procure the production of all books and documents of which the Association is entitled to have production in connection with the said original insurances or any losses and claims thereunder for examination by such representative or representatives of the Minister and by representatives of the Comptroller and Auditor-General

7. All claims admitted by the Association after examination as due for payment shall be submitted to and approved by the said representative or representatives of the Minister prior to settlement.

Subject to the provisions of this agreement all settlements so approved and all decisions upon all questions of cancellation and return of premiums and upon all questions of average deposits and other deposits or contributions and upon all questions of salvage and refunds and generally upon all matters appertaining or incidental to any such insurances (unless dissented from in writing by the said representative or representatives of the Minister) shall be accepted by the Minister as binding and conclusive.

8. In the event of any dispute arising out of any insurance reinsured by the Minister under this agreement the Association shall employ independent solicitors to conduct its case whenever the Association or its Managers is in any way connected with the solicitors employed by the owners.

9. (1) Where the Minister, being liable or having paid for a loss as reinsurer of the Association, desires to make any claim whatsoever arising out of, or incidental to, the insurance, or the subject-matter insured, and the Association fails within thirty days to comply with a notice in writing given by the Minister requiring it to take legal proceedings for the enforcement of the claim, then—

- (a) if it appears to the Minister that the claim is enforceable by proceedings in the name of the Association or by proceedings in that name jointly with the Minister or Her Majesty's Attorney-General, the Minister shall be entitled to take legal proceedings for enforcement of the claim in the name of the Association, or in that name jointly with the Minister or Her Majesty's Attorney-General, or jointly with proceedings in the name of, or by or on behalf of, the Minister or Her Majesty's Attorney-General ;
- (b) if it appears to the Minister that the claim is enforceable in the name of the original assured, or in that name jointly with the Association, and that the Association is entitled to take legal proceedings in that name, or in that name jointly with the Association, the Minister shall be entitled as agent of the Association to take legal proceedings for enforcement of the claim in the name of the original assured, or in that name jointly with the Association and for that purpose the Association irrevocably appoints the Secretary for the time being of the Ministry of Transport to be attorney on behalf of the Association with power to make and substitute one or more attorney or attorneys under him and in his stead with full power to execute and perform the authority hereby vested in the said Secretary and also with power for the said Secretary from time to time to displace or remove such attorney or attorneys so to be nominated by him and to appoint and depute another or others in his or their room and stead.

(2) Where the Minister exercises the right of taking legal proceedings under this clause, the Minister shall hold the Association and the original assured indemnified from and against all legal proceedings, costs claims and demands in respect of any legal proceedings instituted by or on behalf of the Minister or Her Majesty's Attorney-General for the enforcement of the claim,

but the Minister shall be entitled to retain all property and moneys claimed and recovered in the proceedings and shall not be liable to account to the Association or to the original assured for any part thereof.

(3) The Association undertakes to execute and do, or to procure the execution or doing of, all acts, deeds, instruments and things necessary or expedient for giving effect to this clause.

10. The Minister shall bear and pay her rateable proportion of any expenses reasonably incurred by the Association in connection with any loss or claim under any insurance reinsured by the Minister in pursuance of this agreement.

11. (1) As between the Minister and the Association all moneys payable to the Association in respect of losses, claims, deposits, expenses or otherwise shall be debited in account and all moneys payable by the Association in respect of premiums, salvage or otherwise shall be credited in account.

(2) The accounts between the Minister and the Association shall be rendered monthly by the Association to the Minister within thirty days after the close of each calendar month and the balance due on either side shall be paid within seven days after the expiry of the said period of thirty days, so however that if at any time the amount due on balance to the Association exceeds £20,000 the excess shall be paid by the Minister to the Association within seven days of a request for payment by the Association.

12. For the purpose of giving effect to clauses 7 and 11 of Original Policy 'A' and to clauses 6 and 10 of Original Policy 'B' the Association shall make provision by its Articles of Association or Rules—

- (i) for the disclosure to the Association by every member from time to time of any additional insurance effected or proposed to be effected by such member in respect of any interest however described which would become payable in the event of the loss of any entered ship by war risks; and
- (ii) for the acceptance of the Government Tonnage Replacement Account Agreement, No. 2 by each member before the issue of any policy to him.

13. This agreement may be determined (a) by the Minister giving to the Association not less than one calendar month's notice in writing, or (b) by the Association giving a like notice to the Minister, and in the event of any such notice being given and not withdrawn this agreement shall (unless otherwise agreed) on the expiry of such notice be determined, but such determination shall not affect the operation of this agreement as respects any policy of insurance attaching before the date of such determination.

14. Nothing in this Agreement shall be taken to provide for the re-insurance by the Minister of any risks which are not war risks as defined by Section 10(1) of the Act, or (except in respect of ships under requisition by or on behalf of the Government of the United Kingdom otherwise than on terms of that Government bearing all risk of loss) which do not arise out of war or other hostilities involving the United Kingdom or threat of such war or other hostilities.

15. This agreement shall take effect as from noon on the 20th February, 1966.

IN WITNESS whereof the Association has caused its Common Seal to be hereunto affixed, and the Minister has caused her Official Seal to be hereunto affixed the day and year first before written.

The Common Seal of the Steamship Mutual Underwriting Association Limited was hereunto affixed in the presence of :—	}	N. LEIGHTON S. R. CROWE	(L.S.)
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The Official Seal of the Minister of Transport authenticated by DENIS O'NEILL	}	(L.S.)
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An Under Secretary, Ministry of Transport.
Authorised by the Minister.

We approve the making of this Agreement by the Minister of Transport.

Dated this 21st day of December, 1966.

HARRY GOURLAY
E. ALAN FITCH
Two of the Lords Commissioners of
Her Majesty's Treasury.

FIRST SCHEDULE

ORIGINAL POLICY 'A'

THE STEAMSHIP MUTUAL UNDERWRITING ASSOCIATION LIMITED.

Be it known that
as well in own name, as for and in the name and names of all and every other person or persons to whom the same doth, may, or shall appertain in part or in all, doth, subject to the provisions hereinafter contained and referred to make assurance and cause

and them and every of them, to be insured, lost or not lost, for and during the period from _____ on the _____ day of

19 to on the day of

19 , beginning and ending with Greenwich mean time, in port and at sea, at all times, in all places, and on all occasions, services and trades whatsoever and wheresoever, whether mechanically propelled or under sail, with leave to sail with or without pilots, to tow and assist vessels or craft in all situations, and to be towed

upon the Body, Tackle, Apparel, Ordnance, Munition, Artillery, Boat and other Furniture of and in the good Ship called the

whereof is Master, under God, or whosoever else shall go for Master in the said Ship, or by whatsoever other name or names the same Ship, or the Master thereof, is or shall be named or called, in the sum of

£ on Hull, Materials, Machinery, Boilers, etc., valued at £

of which sum insured £ represents the basic value and

£ represents the increased value.

Touching the Adventures and Perils which the Steamship Mutual Underwriting Association Limited (hereinafter referred to as the "Association") is contented to bear and doth take upon itself, they are as hereinafter set forth; and in case of any Loss or Misfortune it shall be lawful to the Assured, their Factors, Servants and Assigns, to sue, labour and travel for, in and about the Defence, Safeguard and Recovery of the said Ship, etc., or any part thereof, without prejudice to this Insurance; to the Charges whereof the Association will contribute. And it is especially declared and agreed that no acts of the Association or the Assured in recovering, saving, or preserving the property insured shall be considered as a waiver or acceptance of abandonment. And it is agreed by the Association that this Writing or Policy of Assurance shall be of as much Force and Effect as the surest Writing or Policy of Assurance heretofore made in Lombard Street, or in the Royal Exchange, or elsewhere in London.

And so the Association is contented and doth hereby promise and bind itself and its Successors to the Assured, their Successors or Executors, Administrators and Assigns, for the true Performance of the Premises, it being agreed that the Assured shall, in consideration thereof, pay to the Association the subscription and entrance fee in accordance with clause of the Articles of Association or Rules of the Association and shall, if and when the same become payable, further pay all the sums and contributions which the Association shall become entitled to call upon the Assured, as members of the Association, to pay to the Association according to the said Articles of Association or Rules of the Association for the time being in force.

1. (1) This insurance is only to cover the risks which are or would be excluded from the standard form of English marine policy by a clause in the following terms:—

"Warranted free of capture, seizure, arrest, restraint or detainment, and the consequences thereof or of any attempt thereat; also from the consequences of hostilities or warlike operations, whether there be a declaration of war or not; but this warranty shall not exclude collision, contact with any fixed or floating object (other than a mine or torpedo), stranding, heavy weather or fire unless caused directly (and independently of the nature of the voyage or service which the vessel concerned or, in the case of a collision, any other vessel involved therein, is performing) by a hostile act by or against a belligerent power; and for the purpose of this warranty 'power' includes any authority maintaining naval, military or air forces in association with a power.

Further warranted free from the consequences of civil war, revolution, rebellion, insurrection, or civil strife arising therefrom, or piracy."

Provided that this insurance is not to cover risks of—

(i) civil war, revolution, rebellion, insurrection, or civil strife arising therefrom, or piracy

(ii) war or other hostilities not involving the United Kingdom

except when the ship hereby insured is under requisition by or on behalf of the Government of the United Kingdom otherwise than on terms of that Government bearing all risk of loss.

(2) Notwithstanding any other provision of this policy, this policy shall not cover the risks of capture, seizure, arrest, restraint or detainment, or the consequences thereof, where such capture, seizure, arrest, restraint or detainment is not the consequence of hostilities or warlike operations and has been made by or on behalf of any State or public authority on the ground of any alleged contravention of the laws of any State or in order to enforce or secure payment of a fine, penalty or other imposition in respect of such contravention.

(3) This insurance shall not be subject to a franchise.

(4) Average shall be payable without deduction of thirds, new for old, whether the average be particular or general.

(5) General average and salvage to be adjusted according to the law and practice obtaining at the place where the adventure ends, as if the contract of affreightment contained no special terms upon the subject, or, if the contract of affreightment so provides, according to York-Antwerp Rules, 1950.

Claims for ship's proportion of general average and salvage charges when recoverable hereunder are payable in full although adjusted on a value in excess of the insured value notwithstanding that the aggregate value of any or all of such claims and claims for particular average exceed the amount insured under this policy.

(6) If the Assured become entitled to recover under this policy in respect of loss of or damage to the ship hereby insured arising out of collision with another ship, claims in respect of such loss or damage shall be settled on the principle of cross liabilities as if the owners of each ship had been compelled to pay to the owners of the other of such ships such one-half or other proportion of the latter's damages as may have been properly allowed in ascertaining the balance or sum payable by or to the Assured in consequence of such collision. Should the ship hereby insured come into collision with or receive salvage services from another ship belonging wholly or in part to the same owners, or under the same management, the Assured shall be in the same position under this policy as if the other ship were entirely the property of owners not interested in the ship hereby insured, and in such cases the liability for the collision or amount payable for the services rendered, as the case may be, shall be referred to a sole arbitrator to be agreed upon between the Association and the Assured.

2. This policy is subject to the Articles of Association and Rules of the Association for the time being in force.

3. (1) In this Clause—

“Premium notice” means a notice given by the Minister of Transport (in this policy referred to as “the Minister”) to the Association after the date of attachment of risk under this policy that British ships are or may be exposed to interference by hostile action either generally or in any particular area specified in the notice (in this clause referred to as a “specified area”). A premium notice shall be deemed to have been duly given at noon Greenwich mean time on the day on which a letter was posted containing such notice and addressed to the Association at its registered office.

“Friendly port” means any port which is not a hostile port.

“General premium notice” means a premium notice which is expressed to apply generally without any restriction as to area.

“Hostile port” means a port controlled for the time being by a state with which the United Kingdom is at war or by any persons with whom the armed forces of the United Kingdom are otherwise engaged in hostilities.

“Special premium notice” means a premium notice which is expressed to be restricted to an area or areas specified in the notice.

“Substituted port” means a friendly port to which the ship proceeds for the termination of the voyage either:—

- (a) in compliance with an order or direction described in clause 5 (b) of this policy; or
- (b) in the exercise of a liberty contained in a contract of carriage, existing on the day on which a premium notice is given, to discharge at an alternative port as near as practicable to the intended port of discharge.

General Premium Notice

(2) If during the period of this insurance a general premium notice is given, this insurance shall continue (subject to the terms and conditions hereof) to the extent specified in sub-clause (3) of this clause but no further, whether the period of this insurance expires before or will not expire until after the insurance has continued to the specified extent.

(3) (i) If on the day on which the general premium notice is given the ship is on a voyage—

- (a) to a friendly port or ports with cargo or passengers, she shall be held covered until her arrival at the port, or if more than one the last of the ports, for which she has on board cargo or passengers shipped before such day, or at a substituted port, and while in that port for three clear days after arrival;
- (b) to a friendly port in ballast, she shall be held covered until her arrival at the port to which she is on such day proceeding in ballast, or at a substituted port, and while in that port for three clear days after arrival;
- (c) to a hostile port whether with cargo or passengers or in ballast, she shall be held covered until her arrival at a

substituted port, and while in that port for three clear days after arrival:

Provided that in any such case as aforesaid if the voyage of the ship to the port at which she is held covered as aforesaid is abandoned, or if all practicable steps to reach that port with due expedition are not taken, the ship shall be held covered only until her arrival at the first port of call after the day on which the premium notice was given and while in port for three clear days after arrival.

- (ii) If the port of termination of such voyage is a port which within three clear days after arrival becomes a hostile port, the ship shall be further held covered until her arrival at a friendly port which does not within three clear days after her arrival become a hostile port, and while in that port for three clear days after arrival.
- (iii) If on the day on which the general premium notice is given the ship is not on a voyage but is—
 - (a) in a friendly port she shall be held covered while in that port for three clear days from such day;
 - (b) in a hostile port, or a port which within three clear days from the day on which the general premium notice is given becomes a hostile port, she shall be held covered until her arrival at a friendly port which does not within three clear days after her arrival become a hostile port, and while in that port for three clear days after arrival.

Special Premium Notice

(4) If, during the period of this insurance a special premium notice is given the ship shall (subject to the terms and conditions hereof) continue to be held covered—

- (i) when not in a specified area, until the period of this insurance expires, and
 - (ii) when in a specified area, to the extent specified in sub-clauses (5) and (6) of this clause but (subject to the provisions of sub-clause (7) of this clause) no further, whether the period of this insurance expires before or will not expire until after the insurance has continued to the specified extent.
- (5) (i) If on the day on which the special premium notice is given the ship is on a voyage—
- (a) to a friendly port in a specified area with cargo or passengers she shall be held covered until her arrival at such port, or if more than one the last of the ports, for which she has on board cargo or passengers, or at a substituted port, and while in that port for three clear days after arrival;
 - (b) to a friendly port in a specified area in ballast she shall further be held covered, until her arrival at that port, or at a substituted port, and while in that port for three clear days after arrival:

- (c) to a hostile port in a specified area, whether with cargo or passengers or in ballast, she shall be held covered until her arrival at a substituted port, and while in that port for three clear days after arrival:

Provided that in any such case as aforesaid, if the voyage of the ship to the port at which she is held covered as aforesaid is abandoned, or if all practicable steps to reach that port with due expedition are not taken, she shall be held covered in the specified area only until her arrival at the first port of call after the day on which the special premium notice was given and while in that port for three clear days after arrival.

- (ii) If under the foregoing provisions of this sub-clause, a ship is held covered until her arrival at a port, being a port which within three clear days after arrival becomes a hostile port, the ship shall be further held covered (subject to the terms and conditions hereof) until her arrival at a friendly port which does not within three clear days after her arrival become a hostile port, and while in that port for three clear days after arrival.
- (iii) If on the day on which the special premium notice is given the ship is not on a voyage but is—
- (a) in a friendly port in a specified area, she shall be held covered while in that port for three clear days from such day ;
- (b) in a hostile port in a specified area or a friendly port in a specified area which within three clear days from such day becomes a hostile port, she shall be held covered until her arrival at a friendly port which does not within three clear days after her arrival become a hostile port and while in that port for three clear days after arrival.

(6) If on the day on which the special premium notice is given the ship is on a voyage in the course of which she is to pass through a specified area to a port beyond that area without calling at any port within that area for the purpose of taking cargo or passengers on board, she shall be held covered when in the specified area for the purposes of that voyage :

Provided that in any such case as aforesaid, if the voyage of the ship through the specified area is abandoned, or if all practicable steps to pass through that area are not taken with due expedition, she shall be held covered in the specified area only until the first port of call after the day on which the special premium notice was given and while in that port for three clear days after arrival.

(7) Notwithstanding the provisions of sub-clauses (4), (5) and (6) of this clause the ship shall (subject to the terms and conditions hereof) be held covered in the specified area freed from the restrictions imposed by the said sub-clauses with respect to that area, if the Assured shall give notice in writing to the Association that he requires such cover and shall pay or undertake to pay to the Association a premium in respect of such cover at such rate as may be fixed by the Minister :

Provided that the risk under the said cover shall not attach until such notice shall have been given and such payment made or undertaken to be made.

(8) For the purpose of this clause, the ship shall be deemed to be on a voyage with cargo or passengers from the time when she ships cargo or passengers for the voyage, and on a voyage in ballast, from the time when she clears in ballast for the voyage.

4. The Assured warrant that the ship shall be continuously registered in the United Kingdom. (See footnote 1.)

5. The Assured further warrant—

- (a) that the ship shall not engage in any trade or voyage prohibited by the Government of the United Kingdom or by the Association ;
- (b) that the ship shall, so far as possible, obey all orders given by or on behalf of the Government of the United Kingdom, and, subject to those orders, comply with all directions given by the Association respecting routes, ports of call, stoppages, convoy, manning or equipment ;
- (c) that if the ship is allowed days of grace to leave a hostile port, she shall leave that port within the days allowed, and shall comply with the terms under which she is allowed to leave that port :

Provided always that the breach of any of the warranties mentioned in this clause shall not operate to invalidate the insurance if the Assured prove to the satisfaction of the Association (of which the Association shall be the sole judge) that such breach happened without the fault or privity of the Assured and without the fault or privity of either the owners or managers of the ship or was committed in order to avoid loss by the risks hereby insured.

For the purposes of this clause the expression "hostile port" has the same meaning as in clause 3.

6. The Assured shall, upon demand, give to the Association full information as to the employment and position of the ship insured and any other information required by the Association.

7. (1) In the event of an actual or constructive total loss by any risk covered by this policy the Association in complete discharge of its obligations hereunder shall forthwith on proof of loss (a) pay to the Minister, or make provision for the payment to her, of the increased value to be credited by her to the owner of the ship in the Government Tonnage Replacement Account, No. 2 ; and (b) pay to the Assured the basic value :

Provided that in the event of a loss by capture, seizure, arrest, restraint or detainment, no payment shall be made under this policy until the expiry of [] days (see footnote 2) from the date of the loss, and if, pending expiry of that period, the ship be recaptured or released and restored to the Assured, there shall be no claim upon the Association for any loss in respect of or arising out of such capture, seizure, arrest, restraint or detainment other than the following, namely :—

Footnote 1—If the Association insures ships registered at any British port of registry outside the United Kingdom and the Minister consents in writing to reinsure ships registered there, the names of the ports may be added.

Footnote 2—Insert the appropriate number of days as provided for by the Rules of the Association not being less than 121 days.

- (a) the cost of repair of damage received by the ship by reason of the capture, seizure, arrest, restraint or detainment ;
- (b) the expenses incurred in respect of the ship by reason of the capture, seizure, arrest, restraint or detainment and the recapture, release and restoration of the ship, including claims for damage to property arising in respect of the ship during the period of capture, seizure, arrest, restraint or detainment which are recoverable in law from the Assured or the ship ;
- (c) a sum by way of compensation at the rate of ten per cent. per annum or such other rate as may be agreed between the Minister and the Association on the insured value hereinbefore mentioned from the date of capture, seizure, arrest, restraint or detainment until the date of recapture, release and restoration.

(2) In this policy the Government Tonnage Replacement Account, No. 2, means the account established in accordance with an agreement in writing made the 23rd day of December, 1966, between the Minister and the Association and its Secretary or Managers (acting for and on behalf of the owners of ships insured by such Association and reinsured by the Minister).

(3) Nothing in this clause shall be taken to be a waiver of abandonment in the event of a constructive total loss.

8. (1) Unless otherwise agreed, if the Assured elect not to repair but to claim depreciation by reason of unrepaired damage, the Assured shall not be entitled to recover under this policy or any previous or subsequent policy to the like or similar effect a sum in excess of the basic value as stated herein unless they agree to the payment of such excess into the Government Tonnage Replacement Account, No. 2, to be dealt with on the same terms as if it had been a payment in respect of increased value payable in the case of a total loss.

(2) Where by reason of any uncertainty as to the cause of any total loss it is agreed or determined that claims hereunder shall be settled on a percentage basis, the percentage so agreed or determined shall be applied both to the payment of the basic value and to the payment of the increased value.

9. If the ship is requisitioned by or on behalf of the Government of the United Kingdom (unless she is running whilst on requisition on terms under which all risk of loss is borne by that Government) this policy shall, so long as the requisition remains effective, extend to cover the liability of the Assured to pay contribution in general average or salvage arising out of any of the risks covered by this policy on the net hire at risk (not exceeding net hire for the period of the voyage in progress at the time of the casualty giving rise to liability to contribute) receivable by them under any charter party under which the ship is running whilst on requisition.

10. The ship shall cease to be insured—

- (a) from the date of any transfer of the ship (otherwise than by way of mortgage) or transfer of the management of the ship by the assured unless with the written consent of the Association ; or
- (b) if default is made in payment of any call within the time fixed according to the said Articles of Association or Rules of the Association ; or

- (c) if the Assured become bankrupt or insolvent, or, being a company, is compulsorily wound up or becomes insolvent unless before a claim arises an undertaking approved by the Association and registered by it has been given to pay all contributions due or to become due ; or
- (d) if any person giving an undertaking under the preceding paragraph fails to discharge his liability within seven days of notice being posted to him of a claim upon him.

The Assured shall in every case in which they are uninsured in consequence of the operation of this clause remain liable for contributions for all losses and expenses up to the time when this policy would otherwise have expired. So long as the Assured are uninsured in consequence of the operation of paragraph (b), (c) or (d) of this clause there shall be no liability on the part of the Association for any previous loss or damage covered by this insurance, but the Association may at its discretion admit the claim of the Assured to the extent of the contributions which they are liable to pay, to the intent that the claim may be set off against such contributions.

11. In the event of a loss by any of the risks covered by this policy, the Assured shall give credit as against any sum recoverable under this policy for any sums which they are or but for the existence of this policy would be entitled to recover under any other policy on any interest however described or from any Protection and Indemnity Association, save and except sums recoverable

- (a) under any other policy reinsured by the Minister, or
- (b) in respect of interests other than those covered by this policy to the extent to which the Assured have an insurable interest therein.

12. In ascertaining whether a ship is a constructive total loss the insured value shall be taken as the repaired value, and nothing in respect of the damaged or breaking-up value of the ship shall be taken into account.

13. In the event of actual or constructive total loss no claim shall be made by the Association for freight or passage moneys, whether or not notice of abandonment has been given.

14. (1) In the event of actual or constructive total loss, the amount payable hereunder in respect of the basic value of the ship shall (except to the extent that account has, in fixing the insured value hereunder, been taken of the existing unrepaired damage) be reduced by:—

- (a) the amount of any depreciation arising from unrepaired damage sustained by war risks under any previous policy covering these risks or arising from unrepaired damage sustained when the risk of such damage was for account of the Government of the United Kingdom ; and
- (b) any sum in respect of depreciation arising from unrepaired damage sustained by marine risks, whether sustained before or after attachment of this policy, which—
 - (i) in the case of a ship which at the time of the occurrence of the damage was insured by a policy covering her for marine risks, the owner would have been entitled to recover under such policy if the policy had been on the terms of the Institute Time Clauses

- (Hulls) or such other more comprehensive form of cover customarily applicable to the particular type of ship and had been subscribed for her full insured value under such policy ; or
- (ii) in the case of a ship which at the time of the occurrence of the damage was not insured for marine risks, the owner would have been entitled to recover under a policy subscribed for the full insured value under this policy but on the terms of the Institute Time Clauses (Hulls) or such other more comprehensive form of cover customarily applicable to the particular type of ship, it being assumed that the ship was continuously insured on the above-mentioned terms under annual policies expiring on 31st December in each year.

(2) Where in fixing the insured value hereunder account has been taken of existing unrepaid damage, such insured value may as and when the owner becomes liable to pay the cost of repairing such damage be readjusted on the application of the owner to take account of any resulting increase in the value of the ship.

(3) Any application for readjustment of the insured value under this clause must (unless otherwise agreed) be made during the currency of the policy and may be made notwithstanding that the ship has before the date of the application become a total loss.

15. Notwithstanding anything contained in this policy the Association shall also pay such proportion of any sum which the Assured shall become liable to pay and shall pay in respect of the raising, removal or destruction under statutory powers of the ship hereby insured or part thereof, or of the wreck or part of the wreck of such ship, where the casualty giving rise to the exercise of such statutory powers has been directly caused by any peril insured against by this policy, as the sum insured hereby bears to the value of the ship herein stated.

16. Prompt notice of any loss, or of the happening of any event which is likely to give rise to a claim, shall be given in writing to the Association, failing which the Association may, in its absolute discretion, refuse to admit the claim or make such deduction therefrom as it may think fit.

In witness whereof this policy has been signed on behalf of the Association by one of the members of its () Committee

and by one of its Managers this day of 19 .

Member of the Committee.

Manager.

SECOND SCHEDULE

REINSURANCE POLICY 'A'

Be it known that THE STEAMSHIP MUTUAL UNDERWRITING ASSOCIATION LIMITED (hereinafter referred to as the "Association") as well in its own name as for and in the name and names of all and every

other person or persons to whom the same does, may, or shall appertain in part or in all, does, subject to the provisions hereinafter contained and referred to, make assurance with the Minister of Transport (hereinafter referred to as the "Minister") and cause

and them and every of them, to be insured, lost or not lost, for and during the period from _____ on the _____ day of

19 _____ to _____ on the _____ day of

19 _____, beginning and ending with Greenwich mean time, in port and at sea, at all times, in all places, and on all occasions, services and trades whatsoever and wheresoever, whether mechanically propelled or under sail, with leave to sail with or without pilots, to tow and assist vessels or craft in all situations, and to be towed

upon the Body, Tackle, Apparel, Ordnance, Munition, Artillery, Boat and other Furniture of and in the good Ship called the

whereof is Master, under God, _____ or whosoever else shall go for Master in the said Ship, or by whatsoever other name or names the same Ship, or the Master thereof, is or shall be named or called, in the sum of £ _____

being 95 per cent. of £ _____ on Hull, Materials, Machinery, Boilers, etc., of which sum insured £ _____ represents the basic value and £ _____ represents the increased value.

Touching the Adventures and Perils which the Minister is contented to bear and take upon herself, they are as hereinafter set forth; and in case of any Loss or Misfortune it shall be lawful to the Association, and to the Assured under the original Policy hereinafter referred to, their respective Factors, Servants and Assigns, to sue, labour and travel for, in and about the Defence, Safeguard and Recovery of the said Ship, etc., or any part thereof, without Prejudice to this Insurance; to the Charges whereof the Minister will contribute. And it is agreed by the Minister that this Writing or Policy of Assurance shall be of as much Force and Effect as the surest Writing or Policy of Assurance heretofore made in Lombard Street, or in the Royal Exchange, or elsewhere in London.

Now this policy witnesses that the Minister takes upon herself the burden of this insurance and promises and binds herself and her Successors to the Association, its Successors and Assigns for the true performance of the premises.

1. (1) This insurance is a reinsurance of the risks underwritten by the Association for the period aforementioned and (save as is herein expressly provided to the contrary) is subject to the clauses and conditions contained in the form of policy in the First Schedule to an agreement dated 23rd day of December, 1966, and made between the Association and the Minister, and shall have effect as if the Original Policy 'A' referred to in that agreement contained only the said clauses and conditions without any modifications.

(2) In consideration of the Association as original insurer insuring the subject-matter of this insurance against (*inter alia*) the like risks this insurance

is granted without premium, in so far as no premium is charged under the said original policy and in so far as premium is charged thereunder, at the rate of premium so charged.

2. The Association warrants that the ship is herein valued as in the original policy.

3. Subject to the foregoing provisions to pay as may be paid on the original policy to the extent of ninety-five per cent. of the liability of the Association thereon and the settlement of a loss by the Association, as approved by the representative or representatives of the Minister on the Committee of the Association, to be accepted as final and conclusive.

In witness whereof the undersigned on behalf of the Minister has hereunto set his hand the day of , 19 .

THIRD SCHEDULE

ORIGINAL POLICY 'B'

THE STEAMSHIP MUTUAL UNDERWRITING ASSOCIATION LIMITED.

Be it known that
as well in own name, as for and in the name and names of all and every other person or persons to whom the same doth, may, or shall appertain in part or in all, doth, subject to the provisions hereinafter contained and referred to, make assurance and cause

and them and every of them, to be insured, lost or not lost, for and during the period from on the day of
19 to on the day of
19 , beginning and ending with Greenwich mean time, in port and at sea, at all times, in all places, and on all occasions, services and trades whatsoever and wheresoever, whether mechanically propelled or under sail, with leave to sail with or without pilots, to tow and assist vessels or craft in all situations, and to be towed

upon the Body, Tackle, Apparel, Ordnance, Munition,
Artillery, Boat and other Furniture of and in the good Ship called the
whereof is Master, under God,

or whosoever else shall go for Master in the said Ship, or by whatsoever other name or names the same Ship, or the Master thereof, is or shall be named or called, in the sum of £ on Hull, Materials, Machinery, Boilers etc. valued at £

of which sum insured £ represents the basic value and
£ represents the increased value.

Touching the Adventures and Perils which The Steamship Mutual Underwriting Association Limited (hereinafter referred to as the "Association") is contented to bear and doth take upon itself, they are as hereinafter set forth; and in case of any Loss or Misfortune it shall be lawful to the Assured, their Factors, Servants and Assigns, to sue, labour and travel for, in and about the Defence, Safeguard and Recovery of the said Ship, etc., or any part thereof, without Prejudice to this Insurance; to the Charges

whereof the Association will contribute. And it is especially declared and agreed that no acts of the Association or the Assured in recovering, saving, or preserving the property insured shall be considered as a waiver or acceptance of abandonment. And it is agreed by the Association that this Writing or Policy of Assurance shall be of as much Force and Effect as the surest Writing or Policy of Assurance heretofore made in Lombard Street, or in the Royal Exchange, or elsewhere in London.

And so the Association is contented and doth hereby promise and bind itself and its Successors, to the Assured, their Successors or Executors, Administrators and Assigns, for the true Performance of the Premises it being agreed that the Assured shall, in consideration thereof, pay to the Association a premium at and after the rate of per cent. (subject to adjustment as hereinafter provided), and shall, if and when the same become payable, further pay all the sums and contributions which the Association shall become entitled to call upon the Assured, as members of the Association, to pay to the Association according to the Articles of Association or Rules of the Association for the time being in force.

1. (1) This insurance is only to cover the risks which are or would be excluded from the standard form of English marine policy by a clause in the following terms:—

“Warranted free of capture, seizure, arrest, restraint or detainment, and the consequences thereof or of any attempt thereat; also from the consequences of hostilities or warlike operations, whether there be a declaration of war or not; but this warranty shall not exclude collision, contact with any fixed or floating object (other than a mine or torpedo), stranding, heavy weather or fire unless caused directly (and independently of the nature of the voyage or service which the vessel concerned or, in the case of a collision, any other vessel involved therein, is performing) by hostile act by or against a belligerent power; and for the purpose of this warranty ‘power’ includes any authority maintaining naval, military or air forces in association with a power.

Further warranted free from the consequences of civil war, revolution, rebellion, insurrection, or civil strife arising therefrom, or piracy”.

Provided that this insurance is not to cover risks of

(i) civil war, revolution, rebellion, insurrection, or civil strife arising therefrom, or piracy

(ii) war or other hostilities not involving the United Kingdom

except when the ship hereby insured is under requisition by or on behalf of the Government of the United Kingdom otherwise than on terms of that Government bearing all risk of loss.

(2) Notwithstanding any other provision of this policy, this policy shall not cover the risks of capture, seizure, arrest, restraint or detainment, or the consequences thereof, where such capture, seizure, arrest, restraint or detainment is not the consequence of hostilities or warlike operations and has been made by or on behalf of any State or public authority on the ground of any alleged contravention of the laws of any State or in order to enforce or secure payment of a fine, penalty or other imposition in respect of such contravention.

(3) This insurance shall not be subject to a franchise.

(4) Average shall be payable without deduction of thirds, new for old, whether the average be particular or general.

(5) General average and salvage to be adjusted according to the law and practice obtaining at the place where the adventure ends, as if the contract of affreightment contained no special terms upon the subject, or, if the contract of affreightment so provides, according to York-Antwerp Rules, 1950.

Claims for ship's proportion of general average and salvage charges when recoverable hereunder are payable in full although adjusted on a value in excess of the insured value notwithstanding that the aggregate value of any or all of such claims and claims for particular average exceed the amount insured under this policy.

(6) If the Assured becomes entitled to recover under this policy in respect of loss of or damage to the ship hereby insured arising out of collision with another ship, claims in respect of such loss or damage shall be settled on the principle of cross liabilities as if the owners of each ship had been compelled to pay to the owners of the other of such ships such one-half or other proportion of the latter's damages as may have been properly allowed in ascertaining the balance or sum payable by or to the Assured in consequence of such collision. Should the ship hereby insured come into collision with or receive salvage services from another ship belonging wholly or in part to the same owners, or under the same management, the Assured shall be in the same position under this policy as if the other ship were entirely the property of owners not interested in the ship hereby insured, and in such cases the liability for the collision or amount payable for the services rendered, as the case may be, shall be referred to a sole arbitrator to be agreed upon between the Association and the Assured.

2. This policy is subject to the Articles of Association and Rules of the Association for the time being in force.

3. The Assured warrant that the ship shall be continuously registered in the United Kingdom. (See footnote 1.)

4. The Assured further warrant—

- (a) that the ship shall not engage in any trade or voyage prohibited by the Government of the United Kingdom or by the Association ;
- (b) that the ship shall, so far as possible, obey all orders given by or on behalf of the Government of the United Kingdom, and, subject to those orders, comply with all directions given by the Association respecting routes, ports of call, stoppages, convoy, manning or equipment ;
- (c) that if the ship is allowed days of grace to leave a hostile port she shall leave that port within the days allowed and shall comply with the terms under which she is allowed to leave that port :

Provided always that the breach of any of the warranties mentioned in this clause shall not operate to invalidate the insurance if the Assured prove

Footnote 1—If the Association insures ships registered at any British port of registry outside the United Kingdom and the Minister of Transport consents in writing to reinsure ships registered there, the names of the ports may be added.

to the satisfaction of the Association (of which the Association shall be the sole judge) that such breach happened without the fault or privity of the Assured and without the fault or privity of either the owners or managers of the ship or was committed in order to avoid loss by the risks hereby insured.

For the purposes of this clause the expression "hostile port" means a port controlled for the time being by a State with which the United Kingdom is at war or by any persons or body with whom the armed forces of the United Kingdom are otherwise engaged in hostilities.

5. The Assured shall, upon demand, give to the Association full information as to the employment and position of the ship insured and any other information required by the Association.

6. (1) In the event of an actual or constructive total loss by any risk covered by this policy the Association in complete discharge of its obligations hereunder shall forthwith on proof of loss (a) pay to the Minister of Transport, or make provision for the payment to her of the increased value to be credited by her to the owner of the ship in the Government Tonnage Replacement Account, No. 2; and (b) pay to the Assured the basic value:

Provided that in the event of a loss by capture, seizure, arrest, restraint or detainment, no payment shall be made under this policy until the expiry of [] days (see footnote 2) from the date of the loss, and if, pending expiry of that period, the ship be recaptured or released or restored to the Assured, there shall be no claim upon the Association for any loss in respect of or arising out of such capture, seizure, arrest, restraint or detainment other than the following, namely:—

- (a) the cost of repair of damage received by the ship by reason of the capture, seizure, arrest, restraint or detainment;
- (b) the expenses incurred in respect of the ship by reason of the capture, seizure, arrest, restraint or detainment and the recapture, release and restoration of the ship including claims for damage to property arising in respect of the ship during the period of capture, seizure, arrest, restraint or detainment which are recoverable in law from the Assured or the ship;
- (c) a sum by way of compensation at the rate of ten per cent. per annum or such other rate as may be agreed between the Minister of Transport and the Association on the insured value hereinbefore mentioned from the date of capture, seizure, arrest, restraint or detainment until the date of recapture, release and restoration.

(2) In this policy the Government Tonnage Replacement Account, No. 2, means the account established in accordance with an agreement in writing made the 23rd day of December, 1966, between the Minister of Transport and the Association and its Secretary or Managers (acting for and on behalf of the owners of ships insured by such Association and reinsured by the said Minister).

(3) Nothing in this clause shall be taken to be a waiver of abandonment in the event of a constructive total loss.

Footnote 2—Insert the appropriate number of days as provided for by the Rules of the Association not being less than 121 days.

7. (1) Unless otherwise agreed, if the Assured elect not to repair but to claim depreciation by reason of unrepaired damage, the Assured shall not be entitled to recover under this policy or any previous or subsequent policy to the like or similar effect a sum in excess of the basic value as stated herein unless they agree to the payment of such excess into the Government Tonnage Replacement Account, No. 2, to be dealt with on the same terms as if it had been a payment in respect of increased value payable in the case of a total loss.

(2) Where by reason of any uncertainty as to the cause of any total loss it is agreed or determined that claims hereunder shall be settled on a percentage basis, the percentage so agreed or determined shall be applied both to the payment of the basic value and to the payment of the increased value.

8. If the ship is requisitioned by or on behalf of the Government of the United Kingdom (unless she is running whilst on requisition on terms under which all risk of loss is borne by that Government) this policy shall, so long as the requisition remains effective, extend to cover the liability of the Assured to pay contribution in general average or salvage arising out of any of the risks covered by this policy on the net hire at risk (not exceeding net hire for the period of the voyage in progress at the time of the casualty giving rise to liability to contribute) receivable by them under any charter party under which the ship is running whilst on requisition.

9. The ship shall cease to be insured—

- (a) from the date of any transfer of the ship (otherwise than by way of mortgage) or transfer of the management of the ship by the Assured unless with the written consent of the Association; or
- (b) if default is made in payment of any call within the time fixed according to the said Articles of Association or Rules of the Association; or
- (c) if the Assured become bankrupt or insolvent, or being a company, is compulsorily wound up or becomes insolvent unless before a claim arises an undertaking approved by the Association and registered by it has been given to pay all contributions due or to become due; or
- (d) if any person giving an undertaking under the preceding paragraph fails to discharge his liability within seven days of notice being posted to him of a claim upon him.

The Assured shall in every case in which they are uninsured in consequence of the operation of this clause remain liable for contributions for all losses and expenses up to the time when this policy would otherwise have expired. So long as the Assured are uninsured in consequence of the operation of paragraph (b), (c) or (d), of this clause there shall be no liability on the part of the Association for any previous loss or damage covered by this insurance, but the Association may at its discretion admit the claim of the Assured to the extent of the contributions which they are liable to pay, to the intent that the claim may be set off against such contributions.

10. In the event of a loss by any of the risks covered by this policy, the Assured shall give credit as against any sum recoverable under this policy for any sums which they are or but for the existence of this policy would be

entitled to recover under any other policy on any interest however described or from any Protection and Indemnity Association, save and except sums recoverable (a) under any other policy reinsured by the Minister of Transport or (b) in respect of interest other than those covered by this policy to the extent to which the Assured have an insurable interest therein.

11. In ascertaining whether a ship is a constructive total loss the insured value shall be taken as the repaired value, and nothing in respect of the damaged or breaking-up value of the ship shall be taken into account.

12. In the event of actual or constructive total loss no claim shall be made by the Association for freight or passage moneys, whether or not notice of abandonment has been given.

13. (1) In the event of actual or constructive total loss the amount payable hereunder in respect of the basic value of the ship shall (except to the extent that account has, in fixing the insured value hereunder, been taken of the existing unrepaired damage) be reduced by:—

(a) the amount of any depreciation arising from unrepaired damage sustained by war risks under any previous policy covering these risks or arising from unrepaired damage sustained when the risk of such damage was for account of the Government of the United Kingdom; and

(b) any sum in respect of depreciation arising from unrepaired damage sustained by marine risks, whether sustained before or after attachment of this policy, which—

(i) in the case of a ship which at the time of the occurrence of the damage was insured by a policy covering her for marine risks, the owner would have been entitled to recover under such policy if the policy had been on the terms of the Institute Time Clauses (Hulls) or such other more comprehensive form of cover customarily applicable to the particular type of ship and had been subscribed for her full insured value under such policy; or

(ii) in the case of a ship which at the time of the occurrence of the damage was not insured for marine risks, the owner would have been entitled to recover under a policy subscribed for the full insured value under this policy but on the terms of the Institute Time Clauses (Hulls) or such other more comprehensive form of cover customarily applicable to the particular type of ship, it being assumed that the ship was continuously insured on the above-mentioned terms under annual policies expiring on 31st December in each year.

(2) Where in fixing the insured value hereunder account has been taken of existing unrepaired damage, such insured value may as and when the owner becomes liable to pay the cost of repairing such damage be readjusted on the application of the owner to take account of any resulting increase in the value of the ship.

(3) Any application for readjustment of the insured value under this clause must (unless otherwise agreed) be made during the currency of the policy and may be made notwithstanding that the ship has before the date of the application become a total loss.

14. Notwithstanding anything contained in this policy the Association shall also pay such proportion of any sum which the Assured shall become liable to pay and shall pay in respect of the raising, removal or destruction under statutory powers of the ship hereby insured or part thereof, or of the wreck or part of the wreck of such ship, where the casualty giving rise to the exercise of such statutory powers has been directly caused by any peril insured against by this policy, as the sum insured hereby bears to the value of the ship herein stated.

15. Prompt notice of any loss, or of the happening of any event which is likely to give rise to a claim, shall be given in writing to the Association, failing which the Association may, in its absolute discretion, refuse to admit the claim or make such deduction therefrom as it may think fit.

In witness whereof this policy has been signed on behalf of the Association by one of the members of its () Committee and by one of its Managers this day of 19 .

Member of the Committee.

Manager.

FOURTH SCHEDULE

REINSURANCE POLICY 'B'

Be it known that THE STEAMSHIP MUTUAL UNDERWRITING ASSOCIATION LIMITED (hereinafter referred to as the "Association") as well in its own name as for and in the name and names of all and every other person or persons to whom the same does, may, or shall appertain in part or in all, does, subject to the provisions hereafter contained and referred to, make assurance with the Minister of Transport (hereinafter referred to as the "Minister") and cause and them and every of them, to be insured, lost or not lost, for and during the period from on the day of

19 to on the day of

19 , beginning and ending with Greenwich mean time, in port and at sea, at all times, in all places and on all occasions, services and trades whatsoever and wheresoever, whether mechanically propelled or under sail, with leave to sail with or without pilots, to tow and assist vessels or craft in all situations, and to be towed upon the Body, Tackle, Apparel, Ordnance, Munition, Artillery, Boat and other Furniture of and in the good Ship called the whereof is Master, under God, or whosoever else shall go for Master in the same Ship, or by whatsoever other name or names the same Ship, or the Master thereof, is or shall be named or called, in the sum of £

being 95 per cent. of £ on Hull, Materials, Machinery, Boilers, etc., of which sum insured £ represents the basic value and £ represents the increased value.

Touching the Adventures and Perils which the Minister is contented to bear and take upon herself, they are as hereinafter set forth; and in case of any Loss or Misfortune it shall be lawful to the Association and to the Assured, under the Original Policy hereinafter referred to, their respective Factors, Servants and Assigns, to sue, labour and travel for, in and about the Defence, Safeguard and Recovery of the said Ship, etc., or any part thereof, without Prejudice to this Insurance; to the Charges whereof the Minister will contribute. And it is agreed by the Minister that this Writing or Policy of Assurance shall be of as much Force and Effect as the surest Writing or Policy of Assurance heretofore made in Lombard Street, or in the Royal Exchange, or elsewhere in London.

Now this policy witnesses that the Minister takes upon herself the burden of this insurance and promises and binds herself and her Successors to the Association, its Successors and Assigns for the true performance of the premises, it being agreed that the Association shall, in consideration thereof, pay to the Minister a premium at and after the rate of _____ per cent.

1. This insurance is a reinsurance of the risks underwritten by the Association for the period aforementioned and (save as is herein expressly provided to the contrary) is subject to the clauses and conditions contained in the form of policy in the Third Schedule to an agreement dated 23rd day of December, 1966, and made between the Association and the Minister, and (save as aforesaid) shall have effect as if the Original Policy 'B' referred to in that Agreement contained only the said clauses and conditions without any modifications.

2. The Association warrants that the ship is herein valued as in the original policy.

3. Subject to the foregoing provisions to pay as may be paid on the original policy to the extent of ninety-five per cent. of the liability of the Association thereon and the settlement of a loss by the Association, as approved by the representative or representatives of the Minister on the Committee of the Association, to be accepted as final and conclusive.

4. Premiums adjustable as in original policy.

In witness whereof the undersigned on behalf of the Minister has hereunto set his hand this _____ day of _____ 19 ____.

FIFTH SCHEDULE

GOVERNMENT TONNAGE REPLACEMENT ACCOUNT AGREEMENT, No. 2.

AN AGREEMENT made this 23rd day of December, One thousand nine hundred and sixty-six.

BETWEEN (a) the MINISTER OF TRANSPORT (hereinafter referred to as the "Minister"); (b) THE STEAMSHIP MUTUAL UNDERWRITING ASSOCIATION LIMITED (hereafter referred to as the "Association"); and (c) the Secretary or Managers of the Association for and on behalf of owners of ships insured under policies issued or to be issued by the Association and reinsured by the Minister under section 1(1) of the Marine and Aviation Insurance (War Risks) Act, 1952.

WHEREAS the Minister by an agreement made the 23rd day of December, 1966, between the Minister and the Association has agreed to insure as reinsurer of the Association all ships from time to time entered in and insured by the Association in respect of war risks on the terms of certain policies scheduled to the said agreement ;

AND WHEREAS it is provided by the said policies that in the event of loss by war risks, the Association shall pay to the Assured certain sums in respect of the basic value and shall pay to the Minister certain further sums in respect of the increased value to be credited by the Minister to the owner of the ship in the Government Tonnage Replacement Account, No. 2, established under this agreement ;

AND WHEREAS it has been agreed between the parties hereto and also between the Minister and other parties that the sums so to be credited to the owner in respect of the increased value shall be so credited in the Government Tonnage Replacement Account, No. 2, established under this agreement and the other said agreements and shall only be paid out when certain conditions are satisfied :

NOW THEREFORE it is hereby agreed between the parties as follows :—

1. This agreement together with all other agreements to the same effect concluded before, on or after the date hereof between the Minister of Transport and Civil Aviation or the Minister and any other body or association shall be known as the Government Tonnage Replacement Account Agreement, No. 2.

2. There shall be opened in the books of the Minister an account to be known as the Government Tonnage Replacement Account, No. 2 (which account is hereinafter referred to as the " account ").

3. (1) Where under the provisions of any policy of insurance issued by the Association and reinsured by the Minister any sum is paid to the Minister in respect of the increased value of any ship insured such sum shall be credited in the account to the owner of the ship.

(2) Any sums so credited shall carry interest at a rate to be agreed between the parties hereto until payment by the Minister to the person entitled thereto in accordance with the terms of this agreement :

Provided however that the permitted sum as defined in clause 4 of this agreement, or any part thereof, standing to the credit of an owner after the expiry of a period of six months from the delivery by the builders or purchase of the ship or ships in respect of which replacement expenditure has been incurred shall, unless the Minister otherwise decides, cease to carry interest from the expiry of such period.

4. (1) Subject as hereinafter provided moneys standing to the credit of an owner in the account shall (unless otherwise agreed between the Minister and the owner) only be paid out if such moneys are required to defray the actual expenditure properly incurred by him in replacing lost tonnage in accordance with this agreement under any contract entered into after the date of the loss of the first ship in respect of which any sum has been credited to him in the account.

(2) With a view to securing that the owner shall in defraying the cost of so replacing lost tonnage apply out of funds belonging to him (not being

moneys standing to his credit in the account) sums equivalent to the moneys paid or to be paid in respect of the basic values of all his lost ships either before or concurrently with his drawings from the account, effect shall (unless otherwise agreed between the Minister and the owner) be given in paying out the moneys standing to his credit in the account to the provision that the total of all payments made out of the account to that owner shall not at any time exceed the permitted sum as hereinafter defined.

For the purpose of this Clause—

- (i) 'the owner's total replacement expenditure' at any time means the total of the sums which at that time have been paid or are due to be paid in discharge of expenditure properly incurred by the owner in replacing lost tonnage (subject to the restrictions imposed by sub-clause (5) of this clause) under any contract entered into after the date of the loss of the first ship in respect of which any sum has been credited to him in the account ;
- (ii) 'the owner's total credit' at any time means the total of the sums which up to that time have been credited to him in the account ;
- (iii) 'the owner's total basic moneys' at any time means the total of the sums paid or due in respect of the basic values of all the ships for which sums have been credited to him in the account up to that time ; and
- (iv) 'the permitted sum' at any time shall be the sum which is in the same ratio to the owner's total replacement expenditure as is the owner's total credit to the aggregate of the owner's total credit and the owner's total basic moneys.

(3) Where any payment is made out of the account of any sum representing accrued interest the appropriate deduction shall be made in respect of income tax.

(4) Replacement may be effected either by way of new building or by way of purchase of an existing ship from the Minister or from any other person.

(5) Unless the Minister shall in special circumstances otherwise agree replacement shall be effected not later than seven years from the cessation of the hostilities giving rise to the credit in the account. The conclusion of a general armistice not followed within a period of six months by the resumption of hostilities shall be deemed to be a cessation of hostilities.

If replacement is effected by way of new building the keel must be laid within such period ; if replacement is effected by way of purchase of existing tonnage delivery must be effected within such period.

(6) Replacement by way of new building shall be by ships built in the United Kingdom unless otherwise agreed by the Minister.

(7) Replacement by way of purchase of existing tonnage shall be subject to the approval of the Minister and in the case of the purchase for such purpose of a ship which may at any time thereafter be registered in the United Kingdom provision shall (unless the Minister otherwise agrees) be made in the purchase agreement which shall secure—

- (a) the payment by the seller to the Minister of 20 per cent. of the purchase price which sum shall be placed to the credit of the seller in the account ;
- (b) the acceptance by the seller of the terms of this agreement as applying to him but on the following conditions, viz. :—
 - (i) that the sum so to be paid by him to the Minister is to be treated as a sum representing increased value paid by the Association to the Minister in respect of the loss of the said ship by war risks, and
 - (ii) that the balance of the purchase price shall be deemed to be a sum received by him in respect of the basic value of that ship.

(8) In the case of the purchase for such purpose as aforesaid of an existing ship which has been previously purchased or built in whole or in part out of moneys paid out of the account or out of moneys which under sub-clause (2) of this clause have been treated as moneys properly expended by an owner in replacing lost tonnage, provision shall (unless the Minister otherwise agrees) be made in the purchase agreement which shall secure—

- (a) repayment by the seller to the Minister of such part of the purchase price as is equivalent to the moneys which have been released from the account by reason of the building or previous purchase of that ship which sum shall be placed to the credit of the seller in the account ;
- (b) acceptance by the seller of the terms of this agreement as applying to him but on the following conditions, viz. :—
 - (i) that the sum so to be paid by him to the Minister is to be treated as a sum representing increased value paid by the Association to the Minister in respect of the loss of the said ship by war risks ; and
 - (ii) that the balance of the purchase price shall be deemed to be a sum received by him in respect of the basic value of that ship.

5. The person in whose name any sum is credited in the account may assign his rights to the whole or any part thereof to any other person with the consent of the Minister and on such conditions as the Minister may determine for the purpose of carrying out the true object and intent of these presents.

6. Except with the sanction of the Minister a ship which has been purchased or built in whole or in part out of moneys paid to an owner out of the account or out of moneys which under sub-clause (2) of clause 4 hereof have been treated as moneys properly expended by the owner in replacing lost tonnage shall not for a period of seven years from the date on which the ship was delivered to the owner under the purchase or building contract

- (a) be transferred to any person not qualified to own a British ship, or
- (b) cease to be registered in the United Kingdom.

7. The Secretary or Managers of the Association shall stand authorised to agree with the Minister such modifications of this agreement as may be deemed by such parties and the Minister to be expedient effectively to carry out the true object and intent of these presents and to agree that such modifications may have retrospective effect.

8. This agreement shall take effect as from the date hereof but the provisions of this agreement shall not apply to any moneys paid into the account established pursuant to the Government Tonnage Replacement Account Agreement, 1940.

IN WITNESS whereof the Minister has caused her Official Seal to be hereunto affixed, the Association has caused its Common Seal to be hereunto affixed and the Secretary or Managers of the Association have hereunto respectively set their hands and seals for and on behalf of owners of ships insured under policies issued or to be issued by the Association and reinsured by the Minister under section 1 (1) of the Marine and Aviation Insurance (War Risks) Act 1952.

The Official Seal of the Minister of Transport authenticated by DENIS O'NEILL	}	(L.S.)
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An Under Secretary, Ministry of Transport.
Authorised by the Minister.

The Common Seal of the Steamship Mutual Underwriting Association Limited was hereunto affixed in the presence of:—	}	N. LEIGHTON J. S. HOWARD-SMITH	(L.S.)
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Signed, sealed and delivered by the Secretary or Managers of the Steamship Mutual Underwriting Association Limited for and on behalf of owners of ships insured by the Association and reinsured by the Minister under section 1 (1) of the Marine and Aviation Insurance (War Risks) Act, 1952, in the presence of:— D. P. SHERVINGTON	}	ALFRED STOCKEN AND COMPANY	
		S. R. CROWE	(L.S.)
		H. L. MORGAN	(L.S.)